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ABSTRACT

The Federal Government has a responsibility to help States and localities meet specific education needs that involve the national interest. It has a companion responsibility to provide such assistance with as much equity, simplicity, and stability as possible. For greater equity in the distribution of Federal funds, Congress should reform the ESEA, Title I, fund allocation formula to target the disadvantaged more precisely and to concentrate more directly on schools with the greatest proportion of students in need. For greater simplicity in the provision of Federal aid, several narrow-purpose categorical education programs should be consolidated into a form that will give State and local education agencies greater flexibility in meeting their own needs. Advanced funding of major elementary and secondary programs would provide greater stability and certainty of Federal programs. (Author/DN)

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EDUCATION: WHO SHOULD PAY THE BILLS?*

by
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The perennial talk about reforming the school tax systems of our 50 States is beginning to turn into action. The States are beginning to assume basic responsibility for financing education--some willingly, some not. Willing or not, they now have the courts, the taxpayers, civil rights groups, and school finance study groups peering over their shoulder.

Of the $50 billion spent annually to support public elementary and secondary schools, about 41 percent now comes from the States, 8 percent from the Federal Government, and 51 percent from local sources. Almost all of the local share is raised through property taxes, and sharply rising costs of education have led to rapid increases in these taxes.

Heavy reliance on the property tax, a tradition which goes back to the Nation's beginnings, does have its advantages. It is a stable source of revenue, and it is difficult to find a substitute for it. Many services the property tax supports flow directly and visibly to the local community. And the property tax is familiar to the taxpayer.

However, the property tax has serious shortcomings. It is a heavy burden on a basic necessity-- housing. It discourages rehabilitation of deteriorating areas, especially in the highly populated sections of central cities, where such rehabilitation is most critically needed.

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Property tax revenues expand more slowly than the needs they finance. The property tax is also regressive. It places a relatively heavy burden on those least able to pay--the elderly, the poor, and others on fixed income--either directly or through rent increases.

The emphasis on local sources for school finance, coupled with the large number of local school districts, creates the possibility of widespread disparities in the level of support among the Nation's schools and, consequently and more importantly, in the level of educational services and opportunities.

Seeing the handwriting on the wall, States are now pursuing four basic approaches to attempt to eliminate-- or at least to reduce--unfairness. One way is to equalize the tax raising power of local school districts to support specified levels of per-pupil spending. The second is to shift school costs away from the property tax base to general State funds. The third is to change techniques used for distributing State funds. The fourth is to reform or relieve the property tax.

Major reforms in school finance legislation have been enacted so far in 20 States.

Fifteen States--California, Florida, Maine, Minnesota, Michigan, Kansas, Montana, Georgia, Louisiana, Illinois, Virginia, Utah, Wisconsin, Wyoming, and Colorado--have adopted new approaches to resource equalization.

Two more States, New Mexico and Kentucky, have instituted pupil weighting for State aid calculations.

Arizona has guaranteed in a new law to increase the State share of education costs from 43 percent in 1974 to 70 percent in 1975 and to maintain that level. The new law provides for a $40-million tax relief on residential property, imposes a statewide property tax, and increases State sales and corporate income taxes.

Maryland has also instituted a statewide system of property tax reform which, among other things, levies school taxes statewide. Maryland is the second State to adopt statewide school taxation; the first was Hawaii.

The 20th State to reform school finances is Louisiana. Louisiana voters have just approved a new State constitution which establishes a State role in property assessment for the first time. (It requires all districts to assess residential property at 10 percent of true value but all other property at 15 percent. However, it removes the millage limitation on assessed valuations, and this could end up increasing disparities between school districts.)

Proposals for changing and improving school financing are pending in Mississippi, Missouri, Iowa, Vermont, and Oregon.

In Texas, a State constitutional convention is scheduled to conclude in early June, with some major school finance reform expected.

As property taxes climb, citizens are increasingly unwilling to pay for the necessary costs of education. In recent years more than half of all propositions to increase property tax rates or to issue school bonds have failed at the polls. Only in the past year have bond issue approvals again risen above 50 percent. In 1971-72 they were approved 47 percent

of the time. In the 1972-73 school year the rate was up to 56.5 percent. It was the first large upturn for school bond approvals since the early 1960s.

However, this may not be cause for great optimism. Some say the 1972-73 upturn may be a deviation. They attribute voter approvals to a long drought leaving school facilities sorely needed.

The pressure for change in school finance increased rapidly after the 1971 California Supreme Court decision in Serrano vs. Priest. The court ruled that to make school spending dependent on local district wealth appeared to be against the State constitution.

The case was remanded to the Los Angeles Superior Court for trial on its merits and has just been decided. The Superior Court judge confirmed the State Supreme Court findings--and, moreover, gave the State 6 years to come up with a financial plan that would promote equal learning opportunities for all California public school children.

In still another landmark school finance case, Rodriguez vs. San Antonio Independent School District, the U.S. Supreme Court ruled that the Texas school system did not violate the equal protection provision of the United States Constitution because education is not stated as a fundamental right in the Constitution. This left the door open for State court actions.

Shortly after the Rodriguez decision, the New Jersey Supreme Court held, in Robinson vs. Cahill, that New Jersey's school finance system violated a State constitutional provision dealing explicitly with education. Twenty-one other school finance court cases are pending across the country.

Serrano, Rodriguez, and Cahill have also helped bring attention to the plight of the very poor, the elderly, and those on fixed income. Some such persons in virtually every State have been partially relieved of their property tax burdens through "circuit breakers" and homestead exemptions. These generally provide rebates on property taxes in excess of a percentage of total income.

Wide variations in the taxable value of local property result in wide variations in the revenue available to school districts, irrespective of how willing local citizens may be to tax themselves.

Research has not demonstrated a precise relationship between the amount of money a community spends on education and the quality of that community's schools. Nevertheless, good schools do cost money, and it's fair to assume there is some relationship.

During the 1972-73 school year, estimated expenditures per pupil in average daily attendance in public elementary and secondary schools ranged from $680 in Alabama to $1,961 in Alaska. Thirty-five States and other jurisdictions spent more than $1,000 per pupil, 14 less than $900. California spent $1,129.

OE's National Center for Educational Statistics has found that variations within States are even greater. In California the wealthiest district spent $3,622 per pupil in 1971-72, the poorest $402. In Illinois the range was $2,357 to $482, in Massachusetts $2,418 to $365, in Florida $1,174 to $673, in Texas $6,474 to $332, in Washington State $7,934 to $487. These were the States with the widest variations. In almost all States the highest spending districts outspent the lowest by at least 100 percent.

Disparities in tax assessments occur virtually everywhere in the country. A quick look at Fresno County will demonstrate what I mean.

The latest available report from the California State Department of Education, for 1972-72, shows that property owners in the Fresno Unified School District were taxed $5.86 per $100 of assessed valuation and raised with State aid $831 for each of its 57,800 pupils. In the nearby Coalinga Unified District, residents were taxed only $3.56 per $100 but raised $1,283 with State aid for each of its 2,400 pupils.

But, the Fresno tax rate came from a base of $8,575 per pupil in assessed valuations while Coalinga's came from a $31,196 tax base per pupil.

This demonstrates an effort by your State to equalize education funding abilities.

If Fresno were to raise its $831 per pupil with only local money it would need to tax residents $9.69 instead of $5.86 per $100. Coalinga, to raise its $1,283, would require a $4.11 instead of a $3.56 rate.

In other words, with equalization, the spread in these school tax rates is $2.30. Without equalization it would be $5.58.

Looking ahead, we must be mindful of the fiscal crunch in which we find ourselves. Spiraling inflation is forcing the Federal Government to make hard choices about where to place its resources. The Federal share of the Nation's educaton costs is now a little less than 8 percent, and I think that will remain about the level for at least the immediate future.

Even such modest Federal incentives as the short-term equalization recommended by the President's Commission on School Finance, or the

requirement of State equalization recommended by the Education Commission of the States as a condition for receiving Federal funds, would be unlikely to receive serious consideration in Congress until enough time has passed to allow for clear judgment on the willingness and the capacity of the States to meet their own responsibilities for equalization of educational opportunities.

What, then, does that leave as the Federal role?

Clearly, the Federal Government has a responsibility to help States and localities meet specific education needs which involve the national interest. It has a companion responsibility to provide such assistance with as much equity, simplicity, and stability as possible. I think we are making progress in each of these areas.

For greater equity in the distribution of Federal funds, we have asked Congress to reform the formula by which funds for the education of disadvantaged children are allocated to the States under Title I of the Elementary and Secondary Education Act. These funds should target more precisely the disadvantaged and be concentrated more directly on the schools having the greatest proportion of needy students.

The bill to extend the Elementary and Secondary Education Act that has been passed by the House of Representatives takes important steps in this direction. We hope that the final legislation will be along these lines.

For greater simplicity in the provision of Federal aid, we are attempting to consolidate several narrow-purpose categorical education programs into a form that will give State and local education agencies greater flexibility in meeting their own education needs.

Program consolidation has a bearing, if an indirect one, on the financial problem, because the elimination of Federal red tape in the form of regulations, guidelines, and reporting requirements will free time for State and local school administrators to do their most important job--educating children.

The House bill extending the Elementary and Secondary Education Act contains significant consolidation, and we expect the final legislation to make major progress on this front.

If the legislation proceeds as expected, and passes promptly, it will also mean greater stability and certainty of Federal funding. Advanced funding of the major elementary and secondary programs will make it possible for school administrators to plan to make the best use of all the funds available to them--Federal, State, and local.

In summary, the outlook for school finance as I see it is that more of the task will be assumed by the States, to the benefit of local school districts, and that the Federal share will remain substantially the same for some time to come.

To repeat, our planning acknowledges a Federal responsibility to help the States and local school districts with education problems involving a national interest. At the same time, it recognizes a Federal responsibility to do this with all the equity, simplicity, and stability possible.

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